

Message Text

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PAGE 01 OECD P 25464 01 OF 03 282004Z

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-15 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 OIC-04 OPIC-12 AF-10 ARA-16 SIL-01

XMB-07 DRC-01 /259 W

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P R 281247Z SEPT 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 720

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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AMEMBASSY LUXEMBOURG

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PAGE 02 OECD P 25464 01 OF 03 282004Z

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON
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UNCLAS SECTION 1 OF 3 OECD PARIS 25464

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: OECD TRADE COMMITTEE WORKING PARTY (TCWP) CONSULTATIONS
ON EXPORT CONTROLS, SEPTEMBER 25-26.

REF: A - STATE 190304
B - STATE 190305

1. SUMMARY. AT ITS CONSULTATION ON US EXPORT RESTRICTIONS SEPT. 25-26, TCWP DECIDED TO DIVIDE ITS WRITTEN REPORT TO TC INTO TWO PARTS. FIRST PART IS TO BE SUMMARY RECORD OF DISCUSSIONS. SECOND PART IS A TEXT APPROVED BY TCWP SEPT. 26 ENTITLED "LESSONS TO BE DERIVED FROM RECENT EXPERIENCE". FULL TEXT OF PART II OF REPORT SET FORTH BELOW. HIGHLIGHTS OF TCWP DISCUSSION FOLLOW BY SEPTEL. END SUMMARY.

2. BEGIN TEXT.

PART II: LESSONS TO BE DERIVED FROM RECENT EXPERIENCE.
(A) AFTER EXAMINING THE PARTICULAR CASES OF SOYA-BEANS AND SCRAP METAL IN RECENT MONTHS, THE WORKING PARTY WONDERED WHETHER THERE WERE ANY LESSONS OF A MORE GENERAL KIND TO BE LEARNED, SO AS TO DEAL AS EFFECTIVELY AS POSSIBLE WITH SITUATIONS OF SHORTAGE WHICH MIGHT ARISE ON INTERNATIONAL MARKETS IN THE FUTURE. THE ROLE WHICH THE ORGANIZATION MIGHT PLAY IN SUCH CIRCUMSTANCES WAS ALSO CONSIDERED. DURING THE DISCUSSION A NUMBER OF DELEGATIONS REFERRED, INTER ALIA, TO THE COMMENTS AND SUGGESTIONS IN PART III OF THE SECRETARIAT'S NOTE TFD/TD/741; SOME DELEGATIONS WERE NOT PREPARED TO COMMENT ON THE DOCUMENT HAVING RECEIVED IT LATE IN THEIR CAPITALS.

(B) IT BECAME CLEAR
THAT MOST DELEGATIONS STILL FOUND THEMSELVES
AT THE STAGE OF REFLECTING ON THESE MATTERS AND WERE IN A POSITION
TO MAKE PRELIMINARY OBSERVATIONS ONLY. HOWEVER, IT APPEARS
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PAGE 03 OECD P 25464 01 OF 03 282004Z

USEFUL TO SUBMIT TO THE TRADE COMMITTEE THE MAIN CONSIDERATIONS
AND QUESTIONS WHICH HAVE BEEN FORMULATED BY SOME DELEGATIONS.

(C) THE FIRST QUESTION ARISING IS WHETHER IN PRESENT AND
FORESEEABLE CIRCUMSTANCES AND IN THE LIGHT OF RECENT EXPERIENCE,
EXPORT RESTRICTION MEASURES JUSTIFY CONTINUING WORK IN THE FUTURE.
IT WAS OBSERVED THAT, IN PAST YEARS, GOVERNMENTS HAVE MANIFESTED
DISTINCTLY LESS INTEREST IN THEM THAN IN IMPORT BARRIERS. SOME

DELEGATIONS NOTED THAT IT IS IN THE INTEREST NEITHER OF PRODUCERS NOR OF EXPORTING COUNTRIES TO MAINTAIN EXPORT RESTRICTIONS ANY LONGER THAN NECESSARY, AND THERE ARE THEREFORE INTERNAL AS WELL AS EXTERNAL PRESSURES FOR THEIR ELIMINATION (WHICH IS OFTEN NOT THE CASE FOR IMPORT RESTRICTIONS). ON THE OTHER HAND, IT WAS SUGGESTED THAT A RISK EXISTS OF SHORTAGES APPEARING IN SOME COMMODITIES; AND THAT THEIR CONSEQUENCES ARE AGGRAVATED IN CONDITIONS OF INFLATION AND MONETARY INSTABILITY. SOME DELEGATIONS CONSIDERED THAT THE EFFECTS OF POSSIBLE EXPORT RESTRICTIONS ARE THE MORE SERIOUS BECAUSE THE WHOLE CONCEPT OF TRADE LIBERALIZATION RESTS ON THE ASSUMPTION THAT IMPORTING COUNTRIES ARE FREELY ABLE TO OBTAIN THEIR NEEDS FROM EXPORTING COUNTRIES. IT WAS, HOWEVER, THE VIEW OF SOME DELEGATIONS THAT THE INTERNATIONAL TRADING SYSTEM DOES NOT PROVIDE A GUARANTEE TO ANYONE THAT THEIR NEEDS WILL BE FULLY MET AT ALL TIMES BY ANY PARTICULAR EXPORTING COUNTRY. CERTAIN DELEGATIONS BELIEVED THAT IN PRACTICE THE ISSUE DOES NOT POSE ITSELF IN SUCH CATEGORICAL TERMS. MANY DELEGATIONS FELT THAT EVEN IF THE DANGERS OF SHORT-FALLS IN SUPPLY ARE DIFFICULT TO ASSESS IN ADVANCE, THEY CANNOT BE COMPLETELY IGNORED, AND IT COULD BE USEFUL TO BE BETTER PREPARED TO DEAL WITH SUCH SITUATIONS.

(D) IF IT IS ADMITTED THAT THERE IS WORK TO BE DONE IN THIS FIELD, IT MIGHT THEN BE ASKED WHETHER THE OECD, AND IN THE FIRST INSTANCE THE TRADE COMMITTEE, ARE THE APPROPRIATE FORA. IT WAS OBSERVED THAT SHORTAGES IN SUPPLIES WHICH COULD APPEAR WOULD AFFECT NOT ONLY OECD MEMBER COUNTRIES BUT COULD INVOLVE OTHER COUNTRIES, AND IN PARTICULAR SOME OF THE DEVELOPING COUNTRIES. ANY NECESSARY DECISIONS SHOULD PROBABLY THEREFORE BE DISCUSSED IN A WIDER FORUM, SUCH AS THE GATT OR THE FAO ACCORDING TO THE CIRCUMSTANCES. BUT IT WAS ALSO..... BROWN

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PAGE 01 OECD P 25464 02 OF 03 282004Z

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P R 281247Z SEP 73

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TO SECSTATE WASHDC PRIORITY 721

INFO AMEMBASSY ANKARA

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PAGE 02 OECD P 25464 02 OF 03 282004Z

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UNCLAS SECTION 2 OF 3 OECD PARIS 25464

OBSERVED THAT THIS CONSIDERATION NEED NOT NECESSARILY PREVENT THE OECD FROM CONSIDERING THE PROBLEM, FROM ANALYSING IT, FROM EXPLORING POSSIBLE SOLUTIONS, IN SUCH A WAY AS TO ASSIST ITS MEMBER COUNTRIES TO CLARIFY THEIR VIEWS. WITHIN THE OECD ITSELF, NEITHER IS THE TRADE COMMITTEE THE ONLY ORGAN INTERESTED IN THESE MATTERS, DEPENDING ON THE PRODUCT CONCERNED OR THE PARTICULAR ASPECT OF THE PROBLEM, THE COMMITTEE ON AGRICULTURE, THE INDUSTRY COMMITTEE, THE ECONOMIC POLICY COMMITTEE COULD HAVE A PART TO PLAY. NEVERTHELESS, IN THE VIEW OF SOME, THIS NEED NOT PREVENT THE TRADE COMMITTEE FROM PLAYING ITS PART, WHILE IT APPEARS TO BE THE BODY MOST CONCERNED

WHEN IT IS A QUESTION OF INHIBITING RESORT TO TRADE MEASURES OR ATTENUATING THEIR EFFECTS. IT WOULD IN ANY CASE BE FOR THE COUNCIL TO COORDINATE THE VARIOUS ACTIVITIES WHICH MIGHT BE UNDERTAKEN IN THIS FIELD.

(E) IT WAS SUGGESTED DURING THE DISCUSSION THAT IF THE TRADE COMMITTEE DECIDES TO UNDERTAKE ACTIVITIES ON EXPORT RESTRICTIONS IT WOULD BE APPROPRIATE NOT TO CONFINE ATTENTION TO THE PARTICULAR CASES WHICH HAD BEEN THE SUBJECT OF THE PRESENT CONSULTATION, BUT TO EXAMINE THE PROBLEM IN ITS TOTALITY. SOME DELEGATIONS CONSIDERED THAT IT WOULD BE ADVANTAGEOUS TO REMAIN AS CONCRETE AS POSSIBLE AND TO STUDY ONLY THOSE SECTORS WHERE THERE EXISTS A REAL RISK OF EXPORT RESTRICTIONS. TO THIS END, ONE DELEGATION PROPOSED THAT THE SECRETARIAT SHOULD COMPILE, FOR THE INFORMATION OF THE COMMITTEE, AN INVENTORY OF THE EXPORT CONTROL MEASURES CURRENTLY APPLIED BY THE VARIOUS MEMBER COUNTRIES. THIS IDEA WAS RECEIVED FAVORABLY BY SEVERAL OTHER DELEGATIONS. OTHER DELEGATIONS THOUGHT IT WOULD BE PREFERABLE THAT ANY PROCEDURE DECIDED ON, IF ONE SHOULD PROVE NECESSARY, SHOULD BE A GENERAL ONE, APPLICABLE TO ALL SECTORS. THEY DOUBTED THE NEED TO EXAMINE INDIVIDUAL SECTORS IN DETAIL.

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PAGE 03 OECD P 25464 02 OF 03 282004Z

(F) ONE CONSIDERATION WHICH EMERGED FROM THE EXAMINATION OF THE RECENT SITUATION IS THE IMPORTANCE OF TRYING IN FUTURE, IF POSSIBLE, TO GAUGE AND ANTICIPATE THE DEVELOPMENT OF SITUATIONS OF SHORTAGE SO AS TO BE ABLE TO TAKE THE NECESSARY PRECAUTIONS AND AVOID THE NEED FOR RECOURSE TO EXPORT RESTRICTIONS. THIS MIGHT NECESSITATE REINFORCED INTERNATIONAL COOPERATION IN SENSITIVE SECTORS. THE WORKING PARTY HAD A PRELIMINARY EXCHANGE OF VIEWS ON FORMS OF SUCH COOPERATION.

(G) IT SEEMS NECESSARY TO BE ABLE TO ASSESS THE SITUATION AND THE OUTLOOK CORRECTLY, TO ARRIVE AT A CORRECT DIAGNOSIS. IN THIS RESPECT SOME DELEGATIONS SUGGESTED THAT NATIONAL AND INTERNATIONAL REVIEWS OF MARKET TRENDS SHOULD BE REINFORCED HAVING DUE REGARD TO THE PART ALREADY PLAYED, OR WHICH MIGHT BE PLAYED, BY SUCH BODIES AS THE FAO COMMITTEE ON COMMODITY PROBLEMS, BY THE GOVERNING BODIES OF SOME INTERNATIONAL AGREEMENTS, OR BY THE SPECIALIZED COMMITTEES OF THE OECD, ETC. OTHERS STRESSED THE VALUE OF DEVELOPING MUTUAL INFORMATION CHANNELS BETWEEN THE GOVERNMENTS OF ALL COUNTRIES WITH AN INTEREST IN THE MARKET FOR A PARTICULAR PRODUCT OR SECTOR.

(H) SOME DELEGATIONS WONDERED WHETHER IT WOULD NOT BE

NECESSARY TO ENVISAGE, IN ADDITION, THE POSSIBILITY OF
HOLDING MULTILATERAL CONSULTATIONS WHEN A SITUATION OF
IMBALANCE APPEARS LIKELY, TO ALLOW EXPORTING AND IMPOR-
TING COUNTRIES TO ACT IN CONCERT SO AS TO PROTECT THE
INTERESTS OF EACH WITHOUT HAVING RECOURSE TO RESTRICTIONS.
IT WAS NOTED THAT PROPOSALS OF THIS KIND HAD
BEEN MADE IN PARAGRAPH 54 OF THE SECRETARIAT'S NOTE WHICH
HAD SHOWN (IN PARAGRAPH 53) THAT THE EXISTING PROCEDURE
OF PRIOR CONSULTATIONS ON TRADE MEASURES WAS NOT REALLY
APPROPRIATE IN SUCH CIRCUMSTANCES. WITHOUT DENYING
THE USEFULNESS OF SUCH A MECHANISM, SOME DELEGATIONS
OBSERVED THAT IT WOULD CARRY A RISK OF ENCOURAGING
SPECULATION ON COMMODITIES IN DECREASING SUPPLY, IF THE SETTING
OF THE MACHINERY IN MOTION BECAME KNOWN. IT
WOULD BE NECESSARY TO TRY TO OFFSET THIS DISADVANTAGE. OTHER
DELEGATIONS EXPRESSED THE VIEW THAT IF A COMMODITY.../...BROWN
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PAGE 04 OECD P 25464 02 OF 03 282004Z

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PAGE 01 OECD P 25464 03 OF 03 282005Z

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P R 281247Z SEP 73

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INFO AMEMBASSY ANKARA

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PAGE 02 OECD P 25464 03 OF 03 282005Z

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UNCLAS SECTION 3 OF 3 OECD PARIS 25464

MONITORING MECHANISM WERE TO BE CONSIDERED, CONDITIONS
OF SURPLUS AS WELL AS OF SHORTAGE SHOULD BE COVERED.

(I) CERTAIN DELEGATIONS FELT THAT INTERNATIONAL COMMODITY
AGREEMENTS CONSTITUTE A FORM OF INTERNATIONAL COOPERATION
MAKING IT POSSIBLE TO CONTROL SITUATIONS OF BOTH SCARCITY
AND SURPLUS. OTHER DELEGATIONS FELT THAT SUCH A SOLUTION
IS NOT APPLICABLE TO ALL COMMODITIES AND THAT WHERE IT IS
APPLICABLE IT WOULD REQUIRE AGREEMENT AMONG THE COUNTRIES
PRINCIPALLY INTERESTED, TAKING THE INTERESTS OF THIRD
COUNTRIES INTO ACCOUNT. SOME DELEGATIONS, IN RELATION
TO THIS SUBJECT, THOUGHT IT WOULD BE USEFUL TO REFLECT
ON WHETHER THE EFFECTS OF FREE MARKET FORCES HAD ALWAYS
BEEN BENEFICIAL TO THE INTERNATIONAL COMMUNITY.

(J) IN A SITUATION WHERE EXPORT RESTRICTION COULD NOT BE
AVOIDED, SOME DELEGATIONS QUESTIONED WHETHER IT MIGHT BE
ADVISABLE TO REINFORCE THE EXISTING PROVISIONS SO AS TO
SAFEGUARD TO THE GREATEST POSSIBLE DEGREE THE INTERESTS OF
ALL INTERESTED PARTIES. WITH REGARD TO THESE

PROVISIONS (SUMMARIZED IN THE SECRETARIAT'S NOTE TFD/TD/741 - PARAGRAPHS 20 TO 25), ALTHOUGH NO DETAILED DISCUSSION TOOK PLACE IN THE WORKING PARTY, ONE DELEGATION EXPRESSED THE OPINION THAT IT DID NOT APPEAR NECESSARY TO MODIFY THE EXISTING TEXTS. THE WORKING PARTY CONSIDERED THAT THE NECESSARY MEASURES SHOULD BE DETERMINED CASE BY CASE AND MIGHT VARY, IN PARTICULAR, ACCORDING TO THE LIKELY DURATION OF THE RESTRICTIONS. SOME DELEGATIONS FELT THAT DUE ATTENTION SHOULD BE PAID TO THE INTERESTS OF TRADITIONAL IMPORTING COUNTRIES. IN SITUATIONS WHERE RESTRICTIONS ARE APPLIED, IT WOULD ALSO APPEAR USEFUL TO REINFORCE INTERNATIONAL COOPERATION BY MEANS OF CONSULTATIONS AND THE TRADE COMMITTEE MAY WISH TO TAKE THIS INTO CONSIDERATION.

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PAGE 03 OECD P 25464 03 OF 03 282005Z

(K) IN THE OPINION OF THE WORKING PARTY IT WOULD BE NECESSARY TO ENSURE THAT PARTICULAR ACCOUNT IS TAKEN OF THE INTERESTS OF DEVELOPING COUNTRIES. IN A CASE WHERE RESTRICTIONS APPLY TO PRODUCTS INCLUDED IN FOOD AID PROGRAMS, MEMBER COUNTRIES SHOULD MAKE MAXIMUM POSSIBLE EFFORTS TO AVOID ANY REDUCTION IN OR SLOWING DOWN OF THE PROGRAM.

(L) THE WORKING PARTY FELT THAT IT SHOULD BRING THESE CONSIDERATIONS TO THE ATTENTION OF THE TRADE COMMITTEE SO THAT IT MIGHT CONSIDER WHETHER WORK SHOULD BE DONE ON THE MORE GENERAL ISSUES RAISED IN THE COURSE OF THE PRESENT CONSULTATIONS. END TEXT.BROWN

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